

Testimony of Secretary Paul Jadin
Assembly Committee on Jobs, Economy and Small Business
January 2011 Special Session Assembly Bill 4 and Assembly Bill 7
January 11, 2011

Thank you Chairwoman Williams and committee members. I appreciate the opportunity to speak to you today.

Your willingness to hold a prompt hearing on this legislation demonstrates your shared commitment with Governor Walker to address the need to implement aggressive job creation efforts on an expedited timeline.

As the appointed secretary of the state agency responsible for fostering economic development and job creation, I am appearing today in support of Special Session Assembly Bill 4, and Assembly Bill 7.

As you know, AB 4 increases the allowable allocation in the economic development tax credit program by \$25 million for a total of \$100 million. The types of activities eligible for this credit include many that meet the very purpose of this special session – namely job creation, capital investment and workforce training.

The tax credit provided in AB 7 is targeted at the smallest of businesses, those with gross receipts under \$500,000. As a first step in the Administration's efforts to reduce the tax burden for families and businesses of all sizes, the goal of this initiative is to allow these operations to survive in these difficult times, while we continue our efforts to provide an economic climate in which they can one day thrive and expand.

Both the Walker Administration and the Legislature, and members of both parties, have stressed that our most urgent policy-making focus must be on job creation. In the series of bills that comprise the special session package, the legislation before you today reflect key initiatives that will spur job growth in the near term. As the state and nation look to a long-term economic recovery, we need to position Wisconsin to take maximum advantage of those opportunities to improve the climate for job growth.

Again, thank you for your consideration. I look forward to your continued progress on these bills, and will be glad to respond to any comments or questions at this time.



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Small Business Tax Credit SS SB and SS AB January 11, 2011

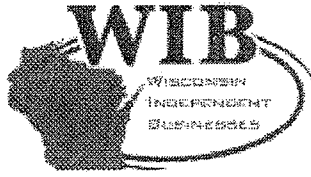
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Goal: Target business tax relief to small business.

Proposal: Provide a credit up to 15% against income taxes owed from Wisconsin small business income.

Points to Consider:

- Small businesses are the engine of job growth, whether it is the two-person start-up or the family-owned multi-generation business.
- Small business expands through reinvesting in their business. High tax liability can reduce the cash retained by small business for reinvestment.
- High marginal tax rates also reduce the incentive for entrepreneurs to take on the risk associated with new ventures.
- As a first step in a long-term strategy to improve the state's business tax climate, the small business tax credit directs tax relief to small business by offering up to a 15% tax credit on business income earned in Wisconsin.
- Over 252,000 sole proprietors and partners will experience an average reduction of \$145 in taxes.
- Over 4,500 small corporations will experience an average reduction of \$317 in taxes



Testimony submitted on Tuesday, January 11, 2011 before the

Assembly Jobs, Economy and Small Business Committee

in support of January 2011 Special Session Small Business Tax Relief Legislation

Good afternoon.

Chairwoman Williams and members of the Assembly Jobs, Economy and Small Business Committee, my name is Brian Dake, Legislative Director for Wisconsin Independent Businesses. On behalf of WIB and its 12,000 members, I am here to testify in support of January 2011 Special Session small business tax relief legislation.

During these tough economic times, small businesses across Wisconsin are struggling to survive. Keeping the business going from day-to-day, month-to-month is their primary goal. As a result, investments to help the business grow are set aside and valued employees are let go and those that remain on the payroll are being asked to take pay cuts or contribute more towards their company-sponsored health insurance and retirement benefits. These are far from ideal choices but small business owners have very few options when the money is not coming in. Needless to say, they are anxiously hoping for brighter days ahead and there is cause for optimism.

This legislation will put \$40 million a year back in the hands of 98% of all Wisconsin small businesses. As we have seen in the past, allowing small businesses to keep more of their hard-earned money is a recipe for job growth and prosperity because the majority of this money will be spent locally on new equipment, better facilities and wages for existing and new workers.

We fully realize this is not designed to solve every challenge small employers face. However, it is a terrific demonstration that Governor Walker and hopefully this legislature understand that we need a consistent and growing effort to reform our tax laws, our regulatory codes and our tort laws to fundamentally improve our business climate.

The small business tax relief proposal is an investment in a stronger economy and an important step towards improving Wisconsin's business climate.



Wisconsin

**Statement Before the
Assembly Committee on Jobs, Economy and Small Business**

By

**Bill G. Smith
State Director
National Federation of Independent Business
Wisconsin Chapter**

**Tuesday, January 11, 2011
Special Session LRB-0763/7**

SS AB 7

Madam Chair, and members of the Committee. My name is Bill G. Smith, and I am State Director of the National Federation of Independent Business. The NFIB is the state's leading small business organization with about 12,000 member firms. 81 percent of these firms employ fewer than ten workers, and about two-thirds of our members have gross receipts of less than \$500,000.

On behalf of Wisconsin's small business community, thank you for convening this public hearing to consider legislation to help stimulate economic growth, and we are especially pleased that our states small businesses are targeted and acknowledged as the economic engine for job creation.

Taxes, are of course, a major concern for small business owners. Taxes consistently rank very high among the challenges facing small business, according to NFIB's Small Business Economic Trends Report. With small businesses struggling to recover from the recession and with high unemployment rates, a reduction in personal income tax rates is good news on Main Street. As one small Milwaukee area tool and dye company with five employees said, "Any help now for us little guys is welcomed."

This reduction in personal income tax rates, as proposed by LRB-0763/7, will provide small business owners with more resources for investing in their business that will help result in job growth.

Going the other direction, one study found a 5 percent increase in individual tax rates decreases business investment by 10 percent.

**Statement Before the Assembly Committee on Jobs, Economy and Small Business
January 11, 2011
Special Session LRB-0763/7 -- continued**

This proposal moves our state in the right direction that will help encourage business investment and help stabilize the small business economy.

Personal income tax rates impact three important decisions of an entrepreneur:

- How fast to grow the firm
- Whether to invest in capital assets and, if so, how much
- Whether to hire workers

Although each decision may relate to another, taxes matter.

Studies confirm tax reductions encourage capital investment, promote employment growth, and help grow existing businesses, as well as provide incentives to create new businesses.

While a general personal income rate reduction would be our first preference, we respect the challenging task ahead for members of the Legislature to balance the state budget. Targeted personal income tax reductions, as provided by this draft, are inherently complicated, but are encouraging and meaningful to entrepreneurs throughout our state.

According to NFIB studies, 75 percent of small businesses report business income as personal income. That means while an owner may be reporting income of more than \$250,000 per year, he is likely paying himself only a fraction of that amount. More commonly, small business owners reinvest their income in new equipment, supplies and employees. They use it, in other words, to make purchases from other businesses and to create jobs for people who need them.

Beyond the quantitative effect of the tax credit, policies like this send a very positive message that Wisconsin is serious about creating economic growth and one that recognizes the important role of small business in the states economy.

Thank you, Madam Chair.